

FISCAL YEAR 2009-10
NARRATIVE BUDGET
REPORT -
GENERAL FUND

FISCAL YEAR 2009-10

BUDGET PROCESS/SCHEDULE

- ✓ January 27: FY09-19 Long-Range Financial Forecast and Economic Development Strategy Update
- ✓ February 10: First CDBG Public Hearing
- ✓ February 17: FY09-10 General Operating Fund Budget Background Study Session
- ✓ February 24: Mid-Year Budget Status Report
- ✓ March 9 and 31: Council Goals Setting Workshops
- ✓ April 7: General Operating Fund Budget Balancing Strategy and Narrative Budget Report Part I - Special and Utility Funds Study Sessions
- ✓ April 14: First Capital Improvement Program Study Session
- ✓ April 28: Second CDBG Public Hearing
- May 5: Narrative Budget Report Part II - General Fund
 - May 19: Council Goal Setting Discussion/Possible Adoption and Capital Improvement Program Adoption
 - June 2: Budget Public Hearing
 - June 9: Utility Rates and Budget Public Hearings/Budget Adoption

ECONOMIC IMPACTS ON THE GENERAL OPERATING FUND

- Decline in residential property values and increase in foreclosures
- Significant slowdown of private development projects
- Decreased consumer spending and resulting decline in sales tax revenue
- Rate-cutting actions taken by the Federal Reserve and the resulting drop in investment yields
- Business slowdown and growth in unemployment
- Decline in travel and corresponding loss of transient occupancy tax (TOT) hotel tax revenue

CURRENT CIRCUMSTANCES

- This decade → \$7.0 M of reductions / \$2.1 M restorations
- FY08-09 Adopted Budget
 - Revenue \$89.0 M
 - Expenditures \$88.4 M
 - Economic Stabilization Contingency (ESC) \$559,000
- Impact of the recession
 - Sales Tax, TOT, & Investment Earnings down → \$1.8 M
- Current status of FY08-09
 - Revenues down \$670,000 (Est. \$88.3 M)
 - Expenditures down \$2.2 M (Est. 86.2 M)
 - Estimated balance \$2.2 M

CURRENT CIRCUMSTANCES (cont.)

- Projection for FY09-10
 - Revenues down →
 - \$1.4 M from FY08-09 estimated
 - \$2.1 M from FY08-09 adopted
 - Expenditures increasing \$4.3 M

PRINCIPLES ON WHICH THE BUDGET IS BALANCED

- Maintain services to the public to the greatest extent possible
- Fund long-term obligations
- Maintain infrastructure
- Attempt to focus “general purpose revenue” on “general purpose services”
- Keep the City reasonably fiscally sound

BUDGET BALANCING STRATEGY

- Goal of a “structurally balanced” budget not reasonably achievable by July 1
- Address approximately \$4.0 M (2/3rds) of the estimated \$6.0 M projected deficit with recommended reductions
- Address approximately \$2.0 M (1/3rd) of the projected deficit via the use of reserves
- Continue to pursue strategies to address the remaining structural deficit for FY09-10 and begin to plan for additional actions needed to address the projected deficit for FY10-11
- Determine a process to inform and engage stakeholders

ASSUMPTIONS FOR BUDGET BALANCING STRATEGY

- Significant impact of further reductions
- Time needed to identify and analyze alternatives
- Need to stay focused on not allowing an increasing structural deficit
- Short-term/temporary strategies will not correct this problem
- Potential for the recession to be prolonged with only a gradual recovery over time

ACTIONS TAKEN TO DATE

- Implementation of a partial hiring freeze
- Preparation of a FY09-10 budget not including any discretionary increases
- Departments submission of 10.0 percent budget reductions for FY09-10
- Departments instructed to manage expenditures in the current fiscal year to reduce costs
- Capital Improvement Program reviewed for deferment of projects
- Meetings with employee groups regarding potential cost containment strategies

RECOMMENDATION CRITERIA

- Tier 1 (Recommended Budget) – Viewed as having relatively less impact on services, the public and employees. Undesirable, but less significant than Tier 2 or Tier 3
- Tier 2 – Viewed as having a more significant impact on City services, the public and staff than Tier 1
- Tier 3 – Viewed as more fundamental in nature (changing service delivery models, significant service level changes, etc.) and in general are more complex to analyze and would require more time to implement

MAJOR STRATEGY RECOMMENDATIONS IN TIER 1

- Funding for the Civic Center debt payments will be transferred to the Construction/Conveyance Tax Fund
 - Reduced funding for capital improvement projects
- Include salary savings in calculations by budgeting vacant positions at 80.0 percent
 - Change from budgeting 100%
 - Vacant positions must stay vacant for a portion of the year
 - Salary savings for vacant positions \$300,000
 - Excluding safety positions

MAJOR STRATEGY

RECOMMENDATIONS IN TIER 1 (cont.)

- Include estimated budget savings (an average of prior fiscal years)
 - Less (to possibly no) carryover balance for needed uses
 - Budget savings estimated \$2.6M
 - Used to fund balance of annual contributions
 - Equipment Replacement \$685,000
 - Retirees' Health \$1.6M
 - Net \$325,000
- A variety of revenue and expenditure recommendations

TIER 1 RECOMMENDATIONS SUMMARY

Revenue Enhancements	\$ 240
Expenditure Reductions	<u>3,477</u>
Total	\$3,717
Net Estimated Budget Savings	<u>325</u>
Total Recommendations	4,042

(Dollars in thousands)

RECOMMENDED BUDGET

FY09-10 Projected Budget Deficit	\$ 6,077
Revenue Enhancement/Expenditure Reduction Recommendations	<u>4,042</u>
Required Use of Reserves	\$ 2,035

(Dollars in thousands)

CARRYOVER BALANCE

Total Estimated Available for Allocation		\$2,816 ¹
Recommended Annual Allocations:		
General Fund Reserve	(1,500)	
Limited-Period Exp. FY09-10	(500)	
Capital Outlay Supplement	(107)	
Compensated Absences	<u>(2,000)</u>	
Total Recommended Allocations		<u>(4,107)</u>
Estimated Additional Funding Needed		\$(1,291) ²

¹Includes \$2.2 M est. FY08-09 Operating bal. plus \$577,000 PY bal. avail.

²\$3.6 M if Equip Repl. and Ret. Health not included in Operating budget

(Dollars in thousands)

BUDGET CONTINGENCY RESERVE

Current Balance	\$5,000
Recommended Allocation from CIP Reserve	<u>3,018</u>
Total	\$8,018
Needed to Balance Operating Budget	(2,035)
Estimated Insufficient Carryover Funding	(1,291) ¹
Transition Funds Needed	<u>(250)</u>
Estimated Remaining Reserve Balance	\$4,442

¹\$3.6 M if Equip. Repl. and Ret. Health not included in Operating budget
(Dollars in thousands)

FY09-10 REVENUE CHALLENGES

- FY08-09 estimated revenues at the same level as FY07-08 actual revenues
- FY09-10 projected revenues \$1.3M lower than FY07-08 actual revenues
- Sales Tax → \$17.3M FY07-08 vs. \$15.7M FY09-10
- TOT → \$4.3M FY07-08 vs. \$3.0M FY09-10
- Investment Earnings → \$3.9M FY07-08 vs. \$3.3M FY09-10
- Property Tax revenue increasing, but at a lower rate
 - Lags the economy
 - Estimated to potentially decline in FY10-11

FY09-10 EXPENDITURE CHALLENGES

- FY08-09 estimated expenditures \$4.3 M higher than FY07-08 actual expenditures
- FY09-10 projected expenditures \$4.3 M higher than FY08-09 adopted (prior to recommended reductions)
 - Salary related compensation \$2.5M
 - Medical/Dental \$656,000
 - Retirees' Health normal cost \$748,000
 - Nondiscretionary increases (utilities, maintenance, etc.) \$364,900

FY09-10 OTHER GENERAL FUNDS CHALLENGES

- Building Services- fully cost recovered over time
 - FY07-08 Audited
 - revenue \$4.7M vs. expenditures \$3.2M
 - FY09-10 Recommended
 - revenue \$2.9M vs. expenditures \$3.4M
- Shoreline Golf Links – strategic assessment needed
 - FY07-08 Audited
 - revenue \$3.6M vs. expenditures \$3.8M
 - FY09-10 Recommended
 - revenue \$3.3M vs. expenditures \$3.9M

LIMITED-PERIOD FUNDING

- Requests/needs of a one-time or limited duration
- Not included as part of the permanent operating budget
- Not counted in determining the operating balance
- Funded from the prior fiscal year carryover balance/reserves

OTHER EXPENDITURE ISSUES

- Items recommended by Council Subcommittees or reflect preliminary Council direction
- Will require Council direction as to whether to incorporate these items in the Proposed Budget
- Ongoing or limited-period?
- Additional reductions or reserves will be needed to fund any of these items

STATE OF CALIFORNIA

?

GOAL FOR THE NEXT THREE YEARS

Prevent the accumulation of a structural deficit so when the economy stabilizes, the City's budget and finances will be normalized

GENERAL OPERATING FUND 3-YEAR MODEL

Revenue/Expenditure Changes, Prior to Budget Recommendations:

FY 09-10: Revenues (- 2.3%) = \$86.9 M
Expenditures = \$92.7 M

FY 10-11: Revenues (flat) = \$86.9 M
Expenditures = \$97.0 M

FY 11-12: Revenues (+ 2.0%) = \$88.7 M
Expenditures* = \$105.3 M

Cumulative Revenue Growth = 2.0%

Cumulative Expenditure Growth = 13.6%

Structural Deficit as of FY 11-12 if no action taken = \$16.6 M

* PERS = \$3.4 M

Revitalization District = \$416,600

RECOMMENDED BUDGET

- Funds nondiscretionary cost increases including compensation
- Maintains funding for long-term obligations
- Maintains essential services
- Unfunds 14.75 FTE positions (additional 2.0 FTE in Golf)
- Increases/creates fees
- Reduces some services
- Structurally unbalanced/technically balanced budget
- Requires use of reserves
- Carries over \$2.0M deficit to FY10-11
- Will have greatly reduced “margin of error”

CONCLUSION/SUMMARY

- Challenge vs. Crisis
- Containing growth in expenditures is easier than reducing expenditures
- Determine the appropriate balance between expenditure reductions and revenue enhancements
- Choice between undesirable alternatives
- The estimated \$2.0 M structural deficit is “unfinished business” that needs to be addressed – it will not “self correct”

NEXT STEPS

- Discussion on Annual Goals with possible Adoption/ CIP Adoption – May 19
- Budget Public Hearings – June 2
- Utility Rate and Budget Public Hearing/ Adoption of Budget – June 9

BREAK

GENERAL OPERATING FUND REVENUES

REVENUES WITH RECOMMENDATIONS

- General Operating Fund revenue projected to decline
 - Current fiscal year is estimated at \$88.3 M - \$670,000 (0.8 percent) below the adopted
 - Fiscal Year 2009-10 projected at \$86.9 M
 - \$2.1 M (2.3 percent) lower than current fiscal year adopted
 - \$1.4 M (1.6 percent) lower than current fiscal year estimated
 - Inflationary increases to fees and a few new fees

FISCAL YEAR 2009-10

PROJECTED REVENUE CHANGES

	Over FY08-09 <u>Adopted Budget</u>	Over FY08-09 <u>Curr Estimate</u>
Property Taxes:	\$ +1.1 M	+423,000
Sales Tax:	-1.7 M	-589,000
Transient Occupancy Tax:	-1.2 M	-745,000
Utility Users Tax:	-61,000	-98,000
Investment Earnings:	-418,000	-245,000
Rents and Leases:	+229,000	+210,000
Other Revenue	+32,000	-350,000

GENERAL OPERATING FUND REVENUES

	2007-08	2008-09	2008-09	2009-10
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Recom'd</u>
Property Taxes	\$ 23,681	24,889	25,562	25,985
Sales Tax	17,273	17,400	16,263	15,674
Other Taxes	10,338	10,284	9,850	8,993
Use of Money & Property	11,165	11,748	11,594	11,559
Other Revenues	23,623	22,570	22,952	22,602
Loan Repayments	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>	<u>2,060</u>
Total Revenues	\$ 88,140	88,951	88,281	86,873

(Dollars in thousands)

GENERAL OPERATING FUND REVENUE HISTORY

<u>Fiscal Year</u>	<u>Audited Revenues</u>	<u>Growth/ (Decline)</u>	<u>Percent Change</u>
2000-01	\$ 82,708	\$ 7,996	10.7%
2001-02	72,631	(10,077)	(12.2%)
2002-03	70,736	(1,895)	(2.6%)
2003-04	71,779	1,043	1.5%
2004-05 ⁽¹⁾	73,630	1,851	2.6%
2005-06	78,913	5,283	7.2%
2006-07	85,141	6,228	7.9%
2007-08	88,140	2,999	3.5%
2008-09 Estimated	88,281	141	0.2%
2009-10 Projected	86,873	(1,408)	(1.6%)
	10 Year Average	1,216	1.6%

⁽¹⁾ Excludes Building Services from FY04-05 Forward

(Amounts in thousands)

GENERAL OPERATING FUND EXPENDITURES

EXPENDITURE SUMMARY

- Personnel costs for existing staff: +\$3.9 M
 - Compensation (COLA, merit, etc)
 - Health Insurance
 - Retirees' Health Normal Cost
- Nondiscretionary increases: +\$364,900
- Cost savings – Vendor price reductions
 - Reduced nondiscretionary amount needed
 - Some reductions
- Budget savings assumed
 - Allows full Equipment Replacement funding of \$1.9 M
 - Allows full Retirees' Health ARC of \$3.4 M
- Budget gap of \$2.0 M funded from Budget Contingency Reserve

GENERAL OPERATING FUND EXPENDITURES

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Recom'd</u>
Salaries & Benefits	\$63,374	70,607	67,997	72,889
Services & Supplies	13,567	14,353	14,735	14,142
Capital Equip/Repl	1,777	1,600	1,596	1,400
Debt Service	1,016	1,023	1,020	-0-
Self Insurance	<u>2,082</u>	<u>809</u>	<u>809</u>	<u>802</u>
Total Expenditures	\$81,816	88,392	86,157	89,233
Estimated Budget Savings	-0-	-0-	-0-	(2,645)
Supplemental Funding:				
Equipment Replacement	-0-	-0-	-0-	685
Retirees' Health	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,635</u>
Net Operating Expenditures	\$81,816	88,392	86,157	88,908
(Dollars in thousands)				

GENERAL OPERATING FUND BUDGET

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Recom'd</u>
Revenues	\$ 88,140	88,951	88,281	86,873
Expenditures	<u>81,816</u>	<u>88,392</u>	<u>86,157</u>	<u>89,233</u>
ESC	1,256	559	559	-0-
Balance over/under ESC	5,068	-0-	1,565	(2,360)
Change in Encumbrances	109	-0-	115	-0-
Est. Budget Savings	-0-	-0-	-0-	2,645
Supplemental Funding:				
Equipment Repl.	-0-	-0-	-0-	(685)
Retirees' Health ARC	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,635)</u>
Operating Balance	\$ 6,433	559	2,239	(2,035)

(Dollars in thousands)

HISTORICAL BUDGET REDUCTIONS/RESTORATIONS

	<u>4 Year</u> <u>Reduct.</u>	<u>Prcent</u>	<u>4 Year</u> <u>Restor.</u>	<u>Net</u>	<u>Prcent</u>	<u>2009-10</u> <u>Reduct.</u>
Council	\$ 32	14.0%	\$ 17	\$ 15	6.4%	\$ 0
Clerk	130	27.0%	5	125	26.0%	2
Attorney	174	15.0%	61	113	9.8%	30
Manager	382	27.6%	5	377	27.2%	9
ESD	210	17.1%	86	124	10.1%	101
FASD	932	14.3%	(30)	962	14.8%	312
CDD	376	17.9%	302	74	3.5%	270
PWD	1,341	16.0%	490	851	10.1%	386
CSD	1,196	12.4%	271	925	9.5%	542
LSD	504	12.7%	72	432	10.9%	256
Fire	331	3.0%	133	198	1.8%	60
Police	<u>1,348</u>	7.4%	<u>662</u>	<u>686</u>	3.8%	<u>230</u>
Total	\$ 6,956		\$ 2,074	\$ 4,882		\$ 2,198

(Dollars in thousands)

NONDISCRETIONARY EXPENDITURE RECOMMENDATIONS

- Gas & electricity: \$100,000
- City utilities (water, sewer, trash): \$75,000
- Fire suppression overtime: \$50,000
- Police general overtime: \$50,000
- Animal control services: \$26,800
- Library automated materials handling system/radio frequency identification equipment maintenance: \$20,000
- Library collection agency: No Net Cost
- Miscellaneous Police Department increases: \$9,700
- IT software/hardware maintenance: \$8,600

NONDISCRETIONARY EXPENDITURE RECOMMENDATIONS (cont.)

- Silicon Valley Regional Interoperability Project network maintenance: \$6,200
- Congestion Management Association dues: \$4,600
- Automated external defibrillator contract maintenance: \$5,000
- Environmental sustainability memberships: \$3,000
- Bioterrorism exposure medication: \$2,500
- Traffic signal maintenance Caltrans cost share: \$2,000
- Mountain View Employee Association: \$1,500

Total \$364,900

TIER 1 – REVENUE ENHANCEMENTS

- Make Recreation Preschool Program fully cost-recovered: \$62,000
- Increase Center for the Performing Arts Facility Use Fee from \$2 to \$3 per ticket: \$50,000
- Create a Recreation sports field use charge of \$2 per hour: \$40,000
- Increase Library revenue: \$36,000
- Increase service charges for use of the Center for the Performing Arts facilities: \$30,000
- Increase Code Enforcement Program cost recovery: \$20,000
- Recover City Hall “after-hours” Building Attendant costs: \$2,000
- Collect Public Works Department Land Development fees at time of application: Unknown

Total: \$240,000
41

TIER 1 – EXPENDITURE REDUCTIONS

- Transfer annual Civic Center debt service payment to the Construction/Conveyance Tax Fund: \$1,019,000
- Implement a salary savings factor for vacant positions: \$300,000
- Unfund two Senior Planner positions: \$270,000
- Reduce Capital Outlay/Equipment funding: \$200,000
- Unfund one Land Development Associate Civil Engineer position: \$155,700
- Unfund the Police Senior Systems Specialist position: \$152,000
- Unfund one Information Technology Analyst I/II position: \$119,200
- Unfund one Librarian I/II position: \$103,000
- Unfund one Parks Maintenance Worker I/II position: \$94,000

TIER 1 – EXPENDITURE REDUCTIONS (cont.)

- Unfund one Office Assistant III position in the Employee Services Department: \$87,000
- Unfund the 0.75 Library Administrative Analyst I/II position: \$86,700
- Reduce water usage in parks and landscaped areas by 10.0 percent: \$86,500
- Unfund the 0.50 Police Senior Administrative Analyst position: \$78,000
- Unfund one Heavy Equipment Specialist position in the Street Maintenance Section: \$68,300
- Eliminate the Reverse 9-1-1 placeholder funding: \$60,000
- Eliminate contract maintenance for five parks: \$52,700

TIER 1 – EXPENDITURE REDUCTIONS (cont.)

- Unfund 0.50 Document Processing Technician I/II position: \$50,600
- Reduce City-wide phone system budget: \$50,000
- Reduce funding for building/facilities maintenance projects: \$50,000
- Reduce Streets Section supplies budget: \$50,000
- Reallocate Community Services Department Administrative staffing charges to the Shoreline Community Fund: \$39,000
- Reduce Payroll services support: \$30,000
- Reduce City-wide copier lease budget: \$30,000
- Reduce various supplies and staff development funding in the Library Services Department: \$30,000

TIER 1 – EXPENDITURE REDUCTIONS (cont.)

- Fully fund the Utilities Services Manager position from the Utility Funds: \$29,400
- Reallocate 0.50 Parks Section Manager position to the Shoreline Community Fund: \$27,000
- Reclassify the Risk Management Administrative Analyst I/II position to Program Assistant: \$21,800
- Unfund 0.50 Recreation Specialist position: \$18,500
- Reduce funding for the Center for the Performing Arts box office: \$14,200
- Reduce various recruitment accounts in the Employee Services Department: \$14,000

TIER 1 – EXPENDITURE REDUCTIONS (cont.)

- Unfund one Senior Administrative Analyst position in the Public Works Department: \$13,000
- Miscellaneous reductions at the Center for the Performing Arts: \$12,300
- Reclassify the Senior Accountant position to Accountant I/II: \$10,400
- Reduce outside legal services in the City Attorney's Office for Code Enforcement: \$10,000
- Reduce janitorial funds budgeted: \$10,000
- Reduce one Capital Project Manager position from full-time to half-time: \$9,400

TIER 1 – EXPENDITURE REDUCTIONS (cont.)

- Transfer cost of Downtown Summer Concert Series to the Revitalization Authority: \$7,000
- Reduce backup clerical support in the City Manager's Office: \$5,000
- Reduce landscape maintenance budget: \$5,000
- Reduce training and meeting expenses in the City Manager's Office: \$4,000
- Reduce funding for the Youth Sports Fee Waiver Program: \$4,000

Total \$3,476,700

LIMITED-PERIOD RECOMMENDATIONS

- Environmental Sustainability Program: \$166,500
- Consultant assistance and other costs associated with possible ballot measure: \$100,000
- Professional budget-related assistance: \$75,000
- Interest-based bargaining training/assistance: \$50,000
- Emergency response clothing (turnout) replacements: \$25,800
- Cost allocation/overhead plan: \$20,000

LIMITED-PERIOD RECOMMENDATIONS (cont.)

- Background investigations: \$15,000
- United Way 2-1-1: \$10,000
- Council goal-setting facilitator: \$5,000
- Rengstorff Park neighborhood events: \$5,000
- Bioterrorism exposure medication: \$2,500

Total \$474, 800

MAJOR CAPITAL OUTLAY/EQUIPMENT

- SWAT ballistic vests (11) and plates (20): \$41,500
- Baseball infield groomer: \$21,500
- Police canine: \$21,000
- HazMat and Rescue vehicle equipment: \$20,000
- False alarm management software: \$20,000
- Fire radios: \$15,300
- Upgrade replacement Chipper: \$15,500
- Chairs for the Library Community Room: \$15,000
- Library system module-Collection Agency: \$10,000
- Library inventory wand: \$6,500
- Fire software module for equipment: \$3,600
- Library equipment/software: \$3,500

EQUIPMENT REPLACEMENT (\$2.7 M)

- Computer Equipment: \$595,600
 - PC Replacements - \$64,000
 - Other Computer Equipment Replacement - \$249,300
 - CAD/RMS Replacement - \$282,300 (\$36,000 rebudgeted)
- Communications Center: \$241,000 (\$199,000 rebudgeted)
- Fire Radio Equipment: \$111,000
- Police Radio Equipment: \$300,500 (rebudgeted)
- Golf Equipment: \$220,500
- Vehicles: \$1.3 M
 - Emergency Generators and Pumps - \$365,000 (rebudgeted)
 - Patrol Cars - \$333,000
 - Emissions Related Replacements - \$320,000
 - Other Vehicle Replacements - \$242,000

OTHER EXPENDITURE ISSUES

- Council Subcommittees' requests not currently included in the budget
 - Neighborhood Grant Program increase (CNC) \$3,000
 - Positive Activities for Youth Program (CYSC) \$120,000
 - Police Activities League (PAL) Program funding (CYSC) \$24,000
 - Youth in Government Day (CYSC) \$1,200
- Council item
 - Senior Advisory Task Force staffing and supplies \$25,300
- Current fiscal year limited-period items not currently included in the budget
 - Mobile Library services at Castro School area \$32,500
 - Leadership Mountain View "City Day" \$3,400
 - Mountain View Reads Together Program \$3,000

GENERAL FUND - BUILDING SERVICES

	2007-08	2008-09	2008-09	2009-10
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Recom'd</u>
Revenues	\$ 4,680	4,222	2,888	2,866
Expenditures	<u>3,181</u>	<u>4,029</u>	<u>2,932</u>	<u>3,383</u>
Operating Balance	1,499	193	(44)	(517)
Retirees' Health UAAL	<u>-0-</u>	<u>(262)</u>	<u>(262)</u>	<u>(387)</u>
Excess (Deficiency)	1,499	(69)	(306)	(904)
Beginning Balance	<u>4,016</u>	<u>5,515</u>	<u>5,515</u>	<u>5,209</u>
Ending Balance	\$ 5,515	5,446	5,209	4,305

(Dollars in thousands)

BUILDING SERVICES RECOMMENDATIONS

- Expenditure Reductions:
 - Reduce funding for outside plan checking/building services: \$715,000

GENERAL FUND - SHORELINE GOLF LINKS

	2007-08 <u>Audited</u>	2008-09 <u>Adopted</u>	2008-09 <u>Estimated</u>	2009-10 <u>Recom'd</u>
Revenues	\$ 3,588	3,611	3,320	3,267
Expenditures	<u>3,781</u>	<u>4,125</u>	<u>3,758</u>	<u>3,904</u>
Excess (Deficiency)	(193)	(514)	(438)	(637)
Beginning Balance	<u>2,021</u>	<u>1,828</u>	<u>1,828</u>	<u>1,390</u>
Ending Balance	\$ 1,828	1,314	1,390	753

(Dollars in thousands)

SHORELINE GOLF LINKS RECOMMENDATIONS

- Expenditure Increases:
 - Water \$41,000
- Expenditure Reductions:
 - Unfund 1.75 Assistant Golf Professional positions: \$137,900
 - Transfer the cost of 0.75 Senior Greenskeeper position to the Solid Waste Management fund: \$84,000
 - Reduce Secretary position from 0.75 to 0.50: \$23,900
 - Reduce administrative staffing costs: \$12,000
 - Reduce 770 Cart/Range Attendant hours: \$9,400

OTHER MISCELLANEOUS FUND RECOMMENDATIONS

- Below-Market-Rate (BMR) Housing Fund
 - First-Responder Homebuyer Program: \$1.0 M
 - Predevelopment costs related to the Downtown Family Housing Project: \$60,000
 - Consolidated Plan (2010-2015): \$60,000
- Workers Compensation Insurance Fund
 - Insurance: \$28,500
- Liability Insurance Fund
 - Property insurance: \$31,500
- Equipment Maintenance Fund
 - Diesel particulate matter filter cleanings: \$18,000

ECONOMIC STABILIZATION CONTINGENCY (ESC) HISTORY

<u>Fiscal Year</u>	<u>Adopted Revenues</u>	<u>Adopted ESC</u>	<u>ESC as % of Revenue</u>
1997-98	\$ 62,141	\$ 3,978	6.4%
1998-99	64,918	3,895	6.0%
1999-2000	66,050	2,979	4.5%
2000-01	67,347	1,467	2.2%
2001-02	77,539	5,605	7.2%
2002-03	72,739	2,106	2.9%
2003-04	71,030	2,564	3.6%
2004-05	72,452	1,034	1.4%
2005-06 ⁽¹⁾	73,779	1,069	1.4%
2006-07	80,522	1,982	2.5%
2007-08	86,205	1,256	1.5%
2008-09	88,951	559	0.6%

⁽¹⁾ Excludes Building from FY05-06 Forward (Dollars in thousands)

TIER 2 – ALTERNATIVES REVENUE ENHANCEMENTS

- Implement increased cost-recovery: approximately \$300,000
- Implement an on-line convenience fee for on-line Recreation registration: \$15,000

TIER 2 – ALTERNATIVES EXPENDITURE REDUCTIONS

- Reduce Fire Suppression minimum staffing from 21 to 19: \$850,000
- Unfund five Community Services Officer positions in Patrol: \$542,300
- Eliminate the classification of Police Agent: \$483,000
- Unfund two Police Records Specialist positions: \$212,000
- Reduce funding to nonprofit agencies: up to \$176,000
- Reduce Library collections budget: \$150,000
- Unfund three half-time Police Assistant III positions: \$135,000
- Unfund one Deputy Fire Marshal position: \$125,000
- Unfund the Public Education Specialist position: \$116,000

TIER 2 – ALTERNATIVES EXPENDITURE REDUCTIONS (cont.)

- Unfund one Code Enforcement Officer position: \$112,000
- Unfund one Parks Maintenance Worker III position: \$101,000
- Reduce Fleet Maintenance services: \$25,000 to \$100,000
- Reduce Facilities Maintenance services: \$25,000 to \$100,000
- Unfund one Tree Trimmer I/II position: \$98,000
- Unfund one Parks Maintenance Worker I/II position: \$94,000
- Unfund 0.75 Librarian I/II position: \$77,000
- Unfund the Emergency Medical Services Coordinator position and contract out for services needed: \$75,000
- Reduce Community Services Department Administrative and Recreation positions: \$72,000

TIER 2 – ALTERNATIVES

EXPENDITURE REDUCTIONS (cont.)

- Eliminate Commuter Check Program: \$70,000
- Unfund one Streets Maintenance Worker I/II position: \$64,000
- Reduce Land Development Section outside services: \$50,000
- Reduce Library wages and hours of operation: \$50,000
- Unfund half of an Office Assistant III position in the City Clerk's Office: \$43,300
- Organizational changes in the Revenue Section: \$38,000
- Unfund 0.50 IT Office Assistant III position in the Finance and Administrative Services Department: \$34,500
- Miscellaneous Parks and Forestry/Roadway landscape reductions: \$25,300

TIER 2 – ALTERNATIVES EXPENDITURE REDUCTIONS (cont.)

- Eliminate 240 Administrative Analyst hours in the Finance and Administrative Services Department: \$23,100
- Reduce reservation of Recreation facilities support: \$21,900
- Reduce Traffic Engineering support in the Public Works Department: \$20,000
- Reduce Park Ranger services: \$15,200
- Deliver *The View* in a digital format: \$15,000
- Reduce high-pressure washings on Castro Street: \$14,600
- Reduce Multi-Lingual Outreach Program: \$12,800
- Reclassify one Principal Financial Analyst position to a Senior Administrative Analyst: \$11,400

TIER 2 – ALTERNATIVES EXPENDITURE REDUCTIONS (cont.)

- Reduce Recreation Activity Guide publications: \$11,300
- Reduce City-wide training and development: \$10,000
- Eliminate Mobile Library services: \$10,000
- Unfund the Mayor's Award program: \$6,000
- Restrict the use of City Hall after hours: \$5,500
- Reduce staff resources devoted to supporting Advisory Commissions and Committees: Unknown
- Implement the contracting out of more City services: Unknown

TIER 3 – ALTERNATIVES

- Evaluate potential for placing on the ballot a tax augmentation proposal
- Evaluate discretionary service areas for potential elimination
- Evaluate alternative service delivery approaches (special districts, consolidation with other cities, etc.)
- Evaluate options of major organizational realignment, including departmental consolidation
- Creation of a maintenance assessment district for downtown public facilities
- Transfer a sidewalk maintenance obligation to property owners
- Create a lighting and landscape district

RESERVES

UNALLOCATED BALANCE

• Prior Fiscal Year balance available for allocation	\$ 577
• Estimated FY08-09 operating balance	<u>2,239</u>
• Estimated available for allocation	\$ 2,816

(Dollars in thousands)

UNCOMMITTED SPECIFIC PURPOSE RESERVES

	<u>Est Bal</u> <u>6/30/09</u>	<u>Recom'd</u> <u>Allocation</u>	<u>Est. Bal</u> <u>7/1/09</u>	<u>Policy</u> <u>Bal</u>
• GF Reserve:	\$ 21,400	1,500	22,900	22,900
• Budget Contingency:	5,000	3,018	8,018	8,018
• Capital Improvement:	11,018	(3,018)	8,000	5,000
• Open Space Acquisition:	3,000	-0-	3,000	3,000
• Strategic Prop Acquis:	22,145	-0-	22,145	22,145

(Dollars in thousands)

LIABILITY RESERVES

	Est. Bal <u>6/30/09</u>	Recom'd <u>Allocation</u>	Est. Bal <u>7/1/09</u>	Policy <u>Bal</u>
• GF Property Mgmt:	\$ 1,600	-0-	1,600	1,600
• Graham Site Maint:	970	-0-	970	970
• Child Care Ctr Financing:	1,320	-0-	1,320	1,575
• Compensated Absences:	7,350	2,000	9,350	8,548 ⁽¹⁾
• GF PERS Liability:	340	-0-	340	340
• Equipment Replacement:	13,500	-0-	13,500	15,404
• Workers' Comp.	4,500	-0-	4,500	4,443 ⁽²⁾
• Unemployment	350	-0-	350	350
• Liability Self-Insurance:	2,400	-0-	2,400	2,381 ⁽²⁾
• Retirees' Health Ins.:	22,246	-0-	22,246	66,643 ⁽²⁾

(Dollars in thousands) ⁽¹⁾ As of June 30, 2008 ⁽²⁾ Actuarial Liability₆₉